
Saudi suggests OPEC+ to keep oil production cut intact

Gold slips to two weeks low over strength in Dollar index

Demand outlook in China has pushed iron ore prices to another record high

Rally in equities helps rupee gain strength; higher crude oil prices still pose a threat

Trump to Remove Steel, Aluminum Tariffs on Canada and Mexico

GOLD SLIPS TO TWO WEEKS LOW OVER STRENGTH IN DOLLAR INDEX

- ▲ Gold prices slipped as the dollar gained strength over robust U.S. economic data
- ▲ United States consumer sentiment jumped to a 15-year high in early May amid growing confidence over the economy's outlook
- ▲ The dollar index rose to its biggest weekly rise since early March last week
- ▲ Uncertainty remains over US-China trade talk. Google suspended some business with Chinese tech giant Huawei, which has been a sticking point in the trade relations.
- ▲ CFTC- Hedge funds and money managers raised net long positions in COMEX gold in the week to May 14. Net long for gold futures surged +49125 contracts, to 124 536 last week. Speculative long positions soared +40 560 contracts, while shorts plunged -8 565
- ▲ SPDR- Holdings of SPDR Gold Trust rose 0.4% to 736.17 tonnes on Friday

Outlook

- ▲ Gold rallied on US-China tariff issue cooled off once president trump tweeted that talks have not collapsed completely. Positive US economic data and optimism over trade talk pushed the dollar higher and gold corrected on profit booking from its one month high. Gold is not receiving support from Middle Eastern tensions after the Terror attack on Saudi pumping station and deployment of the US military. Gold is under pricing all geopolitical risks. Gold could find support near \$1270 and \$1260 while critical resistance remains near \$1307 and 1324.50.

SAUDI SUGGESTS OPEC+ TO KEEP OIL PRODUCTION CUT INTACT

- ▲ Oil prices jumped after Saudi Energy Minister Khalid al-Falih indicated there was consensus among OPEC and allied oil producers to continue limiting supplies. OPEC+ agreed to reduce output by 1.2 million barrels per day from Jan. 1
- ▲ CFTC- Net long for crude oil futures fell -6528 contracts to 487808 for the week. Speculative long positions declined -8810 contracts while shorts slipped -2282
- ▲ The number of active oil and gas rigs declined again in the United States, number of active oil rigs fell by 3 to reach 802 and the number of gas rigs increased by 2 to reach 185

Outlook

- ▲ Brent oil rebounded after US military deployment in the Middle East and attack on the Saudi oil tanker which is a threat to world oil supplies. US action to evacuate embassy in Iraq indicates that tensions with Iran could escalate in the near term. Intensifying tensions between the US, Iran, and Venezuela may push oil prices higher. Saudi has already signaled that it would not be increasing production and suggested OPEC+ to continue with oil production cuts; we can expect a further rise in crude prices in the coming months. We expect a further move towards 75.95-77.93 per barrel in the near term.

DEMAND OUTLOOK IN CHINA HAS PUSHED IRON ORE PRICES TO ANOTHER RECORD HIGH

- ▲ China's iron ore futures traded at a record high since 2010, over firm demand outlook from steel mills.
- ▲ China steel mills utilization rate increased by 0.28% to 69.06% from the previous week, according to a private survey report.

- ▲ Inventory of imported iron ore at Chinese ports has declined to 131.7 million tonnes as of Monday, its lowest level since mid-October in 2017.
- ▲ Accident at iron ore mine in China is also leading to supply shortage and was a key reason behind the current rally in prices this week. A mine was flooded on Friday morning having an annual capacity of 1.6million tonnes.
- ▲ On the contrary, to its steel restocking process may lead to slow demand for steel and iron ore in the coming weeks.

RALLY IN EQUITIES HELPS RUPEE GAIN STRENGTH; HIGHER CRUDE OIL PRICES STILL POSE A THREAT

- ▲ India awaits election results next week on May 23rd while Indian equities rallied after exit poll results that current government may regain majority in the house.
- ▲ Higher oil prices limits rupee rally; we may see selling pressure in the coming days. Brent oil is trading firm above \$73 per barrel on Saudi comment over OPEC supply.
- ▲ FII outflow continued for the 11th session since May 3.
- ▲ India's inflation rate for the month of Apr'19 increased marginally to 2.92% vs 2.86% in Mar'19 and 2.57% in Feb'19; Indian industrial output declined 0.1% in March'19, lowest in 21 Months.
- ▲ FII and DII Data
- ▲ Foreign Funds (FII's) sold shares worth Rs.1057.82 crores, while Domestic Institutional Investors (DII's) bought shares to the tune of Rs. 1809.76 crore on May 17th.
- ▲ In May'19, FII's net sold shares worth Rs.10220.12 crores, while DII's were net buyers to the tune of Rs. 8872.74 crores.

Outlook

- ▲ Recent macro-economic data points are pushing the Indian rupee lower, indicating slower growth expectations. US-China tariff war is putting pressure on the global equities and emerging market currencies are expected to be negatively impacted. Markets are eyeing election results on 23rd May while exit polls confirm current NDA government to regain majority. Indian rupee could weaken as crude oil prices are trading higher. USD-INR could find support near 68.80-68.40 levels, while important resistance is seen around 70.23 levels.

TRUMP TO REMOVE STEEL, ALUMINUM TARIFFS ON CANADA AND MEXICO

- ▲ U.S. plans to lift steel and aluminum tariffs on Canada and Mexico
- ▲ Canada said in a joint statement that it will lift retaliatory duties on U.S. products
- ▲ Mexico welcomed Trump's removal of the duties
- ▲ The move will lift the 25% steel and 10% aluminum tariffs

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